Consolidated Statement of Condition

June 30, 2020

Oregon Pacific Bancorp

Oregon Pacific Bank is a wholly owned subsidiary of Oregon Pacific Bancorp. Stock is traded over-the-counter on the OTCBB under symbol ORPB.

FOR IMMEDIATE RELEASE
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Oregon Pacific Bank Announces Second Quarter Earnings Results

Florence, Ore., July 22, 2020 - Oregon Pacific Bancorp (ORPB) today reported financial results for the second quarter ended June 30, 2020.

Highlights

- Second quarter net income of $830 thousand; $0.12 per diluted share
- Quarterly deposit growth of $126.1 million
- Quarterly loan growth of $120.5 million
- Processed 708 Paycheck Protection Program (PPP) loans totaling $123.8 million

Oregon Pacific Bancorp, and its wholly owned subsidiary Oregon Pacific Bank, reported quarterly net income of $830 thousand, or $0.12 per diluted share compared to $1.0 million, or $0.15 per diluted share for the quarter ended June 30, 2019. Through June 30, 2020, the Bank recorded year-to-date net income totaling $1.5 million, or $0.21 per diluted share compared to $1.4 million, or $0.20 per diluted share for the same period in 2019. During the six months ended June 30, 2020 provision for loan losses grew to $1.3 million compared to $110 thousand during the six months ended June 30, 2019.

"I am pleased with the results of the second quarter amidst the current economic uncertainty surrounding COVID-19," said Ron Green, President and CEO. "Our clients have experienced many struggles and our bankers have risen to the challenge, providing assistance through this difficult time."

In the beginning of April, the Small Business Administration (SBA) opened the Paycheck Protection Program (PPP), which enabled eligible businesses and non-profit agencies to receive loans with forgiveness provisions to support payroll and other eligible expenses during the COVID-19 crisis. The PPP loans also carry a 100% SBA guarantee. Through June 30, 2020, Oregon Pacific Bank had 708 PPP loans approved through the SBA, totaling $123.8 million.

"As the Paycheck Protection Program progressed our bankers worked to secure loans for clients of all sizes, with an average loan size of $124 thousand," said John Raleigh, Executive Vice President and Chief Lending Officer. "Oregon Pacific Bank recognizes the impact of businesses large and small in our community and is happy to provide the support borrowers desperately needed."

Period end loans, net of deferred loan origination fees, totaled $421.6 million, representing growth of $120.5 million during the quarter. The majority of that growth was attributable to the PPP loan portfolio, with $420 thousand of loan growth attributable to the non-PPP loan portfolio. The prepayment activity experienced during first quarter 2020 and fourth quarter 2019 decreased significantly as economic uncertainty made the prospects of refinancing more difficult for some borrowers.

The Bank experienced deposit growth totaling $126.1 million during the second quarter. As PPP loans were initially funded most clients placed the loan proceeds into a deposit account with Oregon Pacific Bank. This resulted in a deposit increase approximately equal to the PPP loan growth. During the month of April $95.4 million of PPP loans were funded. It was originally assumed that the increase in deposits would be temporary, and the bank would move into a borrowing position, utilizing the PPP Liquidity Facility through the Federal Reserve, as clients spent their PPP funds. This has not materialized through June, due to two factors: clients spending PPP funds slower than expected and onboarding of new deposit accounts for clients migrating their full relationship to Oregon Pacific Bank due to the Paycheck Protection Program. The Bank has enrolled in the Paycheck Protection Program Liquidity Facility, which enables the Bank to pledge PPP loans as collateral and borrow against that collateral for a term equal to the PPP loan term, at a cost of 0.35%. The Bank is ready to execute borrowings once current liquidity is depleted.

The second quarter net interest margin lowered to 3.73%, down from 4.39% in first quarter 2020. Contributing to a reduction in the margin were the PPP Loans, which have a contractual effective interest rate of 1.0%. In addition to the contractual rate, the Bank is amortizing the PPP loan fees as an adjustment to yield over the term of the loan, which added an additional 1.70% to the loan yield, for a total second quarter PPP loan yield of 2.70%. The projected yield is expected to improve slightly in the third quarter as the loans booked later in the quarter tended to be smaller in size, which had a 5% loan fee, compared to the 3% loan fee for loans over $350 thousand and a 1% loan fee for loans over $2 million.

The effective yield on non-PPP loans during the second quarter totaled 4.85%, down from 5.14% in the first quarter. Included in the first quarter yield on loans was a prepayment penalty totaling $141 thousand, which when excluded would have made the first quarter yield 4.95% representing a 0.10% linked quarter reduction. The Bank also saw a reduction in the cost of funds to 0.22%, down from 0.45% in first quarter 2020 as deposit rate reductions were implemented in mid-March. An additional factor impacting the net interest margin was the interest rate paid on excess balances through the Federal Reserve. On March 16, 2020, the rate was dropped from 1.10% to 0.10% while the Bank's quarterly average excess balance increased to $40.5 million in second quarter 2020, up from $21.8 million in first quarter 2020.

On June 5, 2020, the Paycheck Protection Program Flexibility Act of 2020, became law and made significant changes to the Paycheck Protection Program. The legislation expanded the covered period during which PPP loan recipients can spend the funds and still qualify for loan forgiveness from eight weeks to 24 weeks. It also lowered the portion of PPP funding that must be used on payroll costs to qualify for full forgiveness from 75% to 60%. The Bank assumes this program change will result in a larger portion of the loans qualifying for forgiveness, but it will also prolong the period for which the Bank will hold the PPP loans. This will lead to a longer period of reduced net interest margin associated with the low yield of the PPP loans.

For the quarter ended June 30, 2020, the Bank booked net recoveries of $7 thousand. Quarterly earnings were impacted by an increase in provision for loan losses, totaling $900 thousand for the quarter. The increase in provision was in response to COVID-19 and the economic factors impacting the allowance for loan losses calculation. The Bank continues to monitor credit quality statistics and saw classified asset totals increase from $9.1 million at March 31, 2020, to $11.9 million at June 30, 2020. Through June 30, 2020, the Bank worked with borrowers to initiate COVID-19 related loan modifications totaling $53.3 million, with ninety-eight relationships totaling $38.8 million on interest only payment structures, and thirty-one relationships totaling $14.5 million are on six-month full payment deferral. The Bank's Credit Administration is proactively monitoring loan relationships to determine if future downgrades are necessary. The Bank also liquidated its only residential other real estate property, which resulted in a gain on sale of $22 thousand.

During the second quarter 2020, noninterest income was $1.2 million, unchanged from the $1.2 million earned in the first quarter of 2020. The biggest reduction in noninterest income was attributable to the mortgage loan sales and servicing category, as tighter underwriting guidelines implemented by the Bank's wholesale mortgage partners, in response to COVID-19, limited borrowers' abilities to qualify for financing.

Noninterest expense in the second quarter totaled $3.4 million, down $410 thousand from the first quarter 2020. On a linked quarter basis, the Bank saw a decrease in salaries and employee benefits expense, primarily tied to the deferred loan origination costs associated with the PPP loans, which is booked as a credit to salary expense. The Bank also saw a reduction in outside services, primarily tied to the timing of the Bank's external audit, which occurred during the first quarter 2020. The Bank continued to incur loan and collection expense as one of the Bank's problem assets, an agricultural property, is requiring ongoing assistance from a receiver to support maintenance of the property. The Bank is continuing to work through issues associated with the liquidation.

Forward-Looking Statement Safe Harbor

This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipates," "targets," "expects," "estimates," "intends," "plans," "goals," "believes" and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could." The forward-looking statements made represent Oregon Pacific Bank's current estimates, projections, expectations, plans or forecasts of its future results and revenues, including but not limited to statements about performance, loan or deposit growth, loan prepayments, strategic focus, capital position, liquidity, credit quality and credit quality trends. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond Oregon Pacific Bank's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements. You should not place undue reliance on any forward-looking statement and should consider all of the following uncertainties and risks. Oregon Pacific Bancorp undertakes no obligation to publicly revise or update any forward-looking statement to reflect the impact of events or circumstances that arise after the date of this release. This statement is included for the express purpose of invoking the PSLRA's safe harbor provisions.

CONSOLIDATED BALANCE SHEETS

Unaudited (dollars in thousands)

	June 30, 2020	March 30 2020	June 30, 2019
ASSETS			
Cash and due from banks	$ 6,944	$ 4,840	$ 6,240
Interest bearing deposits	42,291	38,142	29,522
Securities	27,868	26,006	27,410
Non PPP Loans, net of deferred fees and costs	301,598	301,178	269,817
PPP Loans, net of deferred fees and costs	120,043	-	-
Total Loans, net of deferred fees and costs	421,641	301,178	269,817
Allowance for loan losses	(4,873)	(3,966)	(3,380)
Premises and equipment, net	7,041	7,025	7,121
Bank owned life insurance	7,549	7,494	6,953
Other real estate owned	-	51	-
Deferred tax asset	363	625	836
Other assets	4,467	4,028	2,672
Total assets	$ 513,291	$ 385,423	$ 347,191
LIABILITIES			
Deposits			
Demand - non-interest bearing	$ 125,714	$ 78,003	$ 80,785
Demand - interest bearing	166,562	110,519	93,799
Money market	97,506	79,510	60,830
Savings	57,098	52,790	50,035
Certificates of deposit	18,442	18,380	18,983
Total deposits	465,322	339,202	304,432
Subordinated debenture	4,124	4,124	4,124
Other liabilities	4,523	4,335	3,552
Total liabilities	473,969	347,661	312,108
STOCKHOLDERS' EQUITY			
Common stock	20,697	20,675	20,648
Retained earnings	17,636	16,806	14,064
Accumulated other comprehensive income/(loss), net of tax	989	281	371
Total stockholders' equity	39,322	37,762	35,083
Total liabilities & stockholders' equity	$ 513,291	$ 385,423	$ 347,191

CONSOLIDATED STATEMENTS OF INCOME

Unaudited (dollars in thousands, except per share data)

	THREE MONTHS ENDED			SIX MONTHS ENDED	
	June 30, 2020	**March 30 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
INTEREST INCOME					
Non-PPP loans	$ 3,606	$ 3,857	$ 3,380	$ 7,464	$ 6,528
PPP loans	634	-	-	634	-
Securities	172	161	181	333	339
Other interest income	14	67	156	81	219
Total interest income	4,426	4,085	3,717	8,512	7,086
INTEREST EXPENSE					
Deposits	141	240	279	379	528
Borrowed funds	36	46	55	82	113
Total interest expense	177	286	334	461	641
NET INTEREST INCOME	4,249	3,799	3,383	8,051	6,445
Provision for loan losses	900	378	110	1,278	110
Net interest income after provision for loan losses	3,349	3,421	3,273	6,773	6,335
NONINTEREST INCOME					
Trust fee income	567	572	535	1,139	1,025
Service charges	192	221	230	413	438
Mortgage loan sales and servicing	81	139	151	219	222
Investment sales commissions	43	48	52	91	100
Merchant card services	59	64	68	123	119
RIA income	127	134	86	260	169
Other income	92	72	87	165	171
Total noninterest income	1,161	1,250	1,209	2,410	2,244
NONINTEREST EXPENSE					
Salaries and employee benefits	1,933	2,124	1,720	4,055	3,515
Outside services	381	427	333	808	703
Occupancy & equipment	315	324	318	638	599
Trust expense	319	356	320	677	648
Loan and collection, OREO expense	72	154	30	227	387
Advertising	32	51	75	84	146
Supplies and postage	62	61	19	124	51
Other operating expenses	293	320	299	614	645
Total noninterest expense	3,407	3,817	3,114	7,227	6,694
Income before taxes	1,103	854	1,368	1,956	1,885
Provision for income taxes	273	212	349	484	466
NET INCOME	$ 830	$ 642	$ 1,019	$ 1,472	$ 1,419

Quarterly Highlights

	2nd Quarter 2020	1st Quarter 2020	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019
Earnings					
Net interest income	$ 4,249	$ 3,799	$ 3,779	$ 3,531	$ 3,383
Provision for loan loss	900	378	30	95	110
Noninterest income	1,161	1,250	1,259	1,239	1,209
Noninterest expense	3,407	3,817	3,636	3,267	3,114
Provision for income taxes	273	212	318	363	349
Net income	$ 830	$ 642	$ 1,054	$ 1,045	$ 1,019
Average shares outstanding	7,003,125	7,003,125	6,975,084	6,975,084	6,973,431
Earnings per share	$ 0.12	$ 0.09	$ 0.15	$ 0.15	$ 0.15
Performance Ratios					
Return on average assets	0.69%	0.69%	1.14%	1.16%	1.21%
Return on average equity	8.69%	6.87%	11.45%	11.70%	12.05%
Net interest margin - tax equivalent	3.73%	4.39%	4.35%	4.19%	4.30%
Yield on loans	4.33%	5.14%	5.25%	5.09%	5.12%
Yield on loans - excluding PPP loans	4.85%	5.14%	5.25%	5.09%	5.12%
Cost of interest bearing liabilities	0.22%	0.45%	0.54%	0.60%	0.60%
Efficiency ratio	62.98%	75.60%	72.19%	68.49%	67.77%
Full-time equivalent employees	111	112	110	105	102
Capital					
Leverage ratio	8.74%	11.15%	11.13%	11.12%	11.44%
Common equity tier 1 ratio	NA[1]	NA[1]	13.83%	14.42%	14.62%
Tier 1 risk based ratio	NA[1]	NA[1]	13.83%	14.42%	14.62%
Total risk based ratio	NA[1]	NA[1]	15.06%	15.68%	15.87%
Book value per share	$ 5.61	$ 5.39	$ 5.35	$ 5.20	$ 5.03
Asset quality					
Allowance for loan losses (ALLL)	$ 4,873	$ 3,966	$ 3,592	$ 3,484	$ 3,380
Nonperforming loans (NPLs)	$ 1,293	$ 1,230	$ 1,614	$ 1,510	$ 1,693
Nonperforming assets (NPAs)	$ 1,293	$ 1,281	$ 1,614	$ 1,510	$ 1,693
Classified Assets	$ 11,945	$ 9,058	$ 7,834	$ 5,728	$ 5,258
Net loan charge offs (recoveries)	$ (7)	$ 5	$ (78)	$ (8)	$ (7)
ALLL as a percentage of net loans	1.62%	1.31%	1.20%	1.24%	1.26%
ALLL as a percentage of NPLs	376.98%	322.44%	222.55%	230.73%	199.65%
Net charge offs (recoveries) to average loans	0.00%	0.00%	-0.03%	0.00%	0.00%
Net NPLs as a percentage of total loans	0.44%	0.41%	0.55%	0.54%	0.64%
Nonperforming assets as a percentage of total assets	0.25%	0.33%	0.44%	0.42%	0.49%
Classified Asset Ratio	30.38%	23.99%	17.60%	15.80%	14.99%
Past due as a percentage of total loans	0.53%	0.61%	0.62%	1.00%	0.74%
End of period balances					
Total securities and short term deposits	$ 70,159	$ 64,148	$ 45,112	$ 56,627	$ 56,932
Total loans net of allowance	$ 296,725	$ 297,212	$ 295,255	$ 277,979	$ 266,437
Total earning assets	$ 372,903	$ 366,472	$ 345,038	$ 339,169	$ 327,828
Total assets	$ 513,291	$ 385,423	$ 364,188	$ 360,358	$ 347,191
Total noninterest bearing deposits	$ 125,714	$ 78,003	$ 73,771	$ 78,230	$ 80,785
Total deposits	$ 465,322	$ 339,202	$ 318,039	$ 316,176	$ 304,432
Average balances					
Total securities and short term deposits	$ 67,450	$ 48,764	$ 57,528	$ 60,571	$ 52,991
Total loans net of allowance	$ 389,275	$ 298,055	$ 285,491	$ 272,845	$ 261,487
Total earning assets	$ 462,157	$ 351,537	$ 347,646	$ 337,903	$ 318,838
Total assets	$ 484,315	$ 372,017	$ 366,647	$ 356,452	$ 337,585
Total noninterest bearing deposits	$ 132,311	$ 76,653	$ 74,489	$ 78,817	$ 77,694
Total deposits	$ 436,776	$ 325,128	$ 321,687	$ 312,530	$ 295,451